

CENTRAL CONSUMER PROTECTION AUTHORITY
Krishi Bhawan, New Delhi - 110001
Case No. CCPA- 2/26/2025-CCPA

In the matter of FOO Ahmedabad Restaurant (Pebble Street Hospitality Pvt. Ltd.) regarding alleged levying of service charge, violation of Consumer Rights and Unfair Trade Practices

CORAM:

Ms. Nidhi Khare, Chief Commissioner
Mr. Anupam Mishra, Commissioner

Appearance:

Mr. Soumil Kothari, Advocate
Miss. Aishwarya, Advocate

Date: 06th April, 2026

ORDER

1. The Central Consumer Protection Authority (hereinafter referred to as 'CCPA') has taken suo-moto cognizance of the grievance from Ms. Shraddha Patel (from Ahmedabad, Gujarat) registered at National Consumer Helpline 1915 (NCH) vide docket no. 7192578 dated 27.05.2025 against FOO Ahmedabad Restaurant (Pebble Street Hospitality Pvt. Ltd.) (hereinafter referred to as 'The Restaurant'). The grievance states price of a water bottle in the menu was ₹60, but charged ₹180 in the bill. When asked why the extra charge, the waiter said that the extra charge is for pouring the water in the glasses. Also, a 10% service charge was applied on the bill, when CGST and SGST was already charged. The Consumer in support of his allegations had attached the bill, which is reproduced below:

Qty	Menu Item	Amount
1	SPICY HABANERO BLUE RICE MAKI	595.00
1	LOTUS ROOT DUMPLING	490.00
1	HAZELNUT DOME	450.00
1	NATURAL MINERAL WATER	180.00
Total		1715.00
Service Charge @ 10%		171.50
CGST @ 2.5%		47.16
SGST @ 2.5%		47.16
Round Off		0.18
Grand Total		1981.00

GSTIN-24AAFCP8224P1ZZ
FSSAI-10723026001848
THANK YOU FOR VISITING FOO-AHMEDABAD

2. It is pertinent to mention that vide judgement dated 28th March, 2025 the Hon'ble High Court of Delhi in **National Restaurant Association of India & Ors. v. Union of India & Anr.** had held that: *"All restaurant establishments would have to adhere to the guidelines passed by the CCPA. If there is any violation of the same, action would be liable to be taken in accordance with law. CCPA is free to enforce its guidelines in accordance with law."* Further the Hon'ble High Court had upheld the applicability of the CCPA guidelines which is in the interest of consumers and declaring the levy of any mandatory service charge as contrary to law and violates the guidelines.
3. The NCH grievance (docket no. 7192578 dated 27.05.2025) is indicative of an unlawful levy of service charge and charges of a water bottle is more than the MRP, which may be unfairly impacting a wider number of consumers as a class. The CCPA in exercise of power conferred under Section 18(2) and Section 19 of the Consumer Protection Act, 2019 (hereinafter referred to as 'the Act') conducted a preliminary inquiry to examine the veracity of the claim made against the aforementioned Restaurant.
4. In the preliminary inquiry, CCPA prima facie found, from the grievance registered on NCH, that the Restaurant had levied service charge on the bill despite the Hon'ble High Court of Delhi upholding the Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with regard to levy of service charge in Hotels and Restaurants issued by the Authority. Considering that the bill is software generated, the practice might be impacting a wider base of consumers visiting the restaurant thereby forming a class action as envisaged in section 10 of Consumer Protection Act 2019.
5. Based on the preliminary inquiry findings, CCPA directed the restaurant to furnish their response vide Notice dated 09th June, 2025 for violation of the Act, 2019 and *Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants issued on 04.07.2022.*
6. In response to the said notice, the restaurant made the following submissions on 10th July, 2025:
 - I. The restaurant denies the claim that "Natural Mineral Water" was listed at INR 60/- in their menu.
 - II. The restaurant asserts that in-house menu of it explicitly lists the price as INR 180/-, and that no discrepancy exists between the displayed price and the amount charged.

- III. The complainant/consumer ordered it after a discussion with a waiter regarding the price. Therefore, the order placed by the complainant/consumer constitutes an express acceptance of the listed price of the water bottle in the menu.
- IV. The restaurant places reliance on para 4 of the guidelines on service charge, 2022 which states as follows: *"It may be mentioned that a component of service is inherent in price of food and beverages offered by the restaurant or hotel. Pricing of the product thus covers both the goods and services component. There is no restriction on hotels or restaurants to set the prices at which they want to offer food or beverages to consumers. Thus, placing an order involves consent to pay the prices of food items displayed in the menu along with applicable taxes. Charging anything other than the said amount would amount to unfair trade practice under the Act."*
- V. Further, the restaurant relied on the view of Hon'ble Supreme Court of India in Federation of Hotels & Restaurants Association of India & Ors v. Union of India & Ors [WP(C) 6517/03] wherein the Court observed *"In the above analysis I hold that charging prices for mineral water in excess of MRP printed on the packaging, during the service of customers in hotels and restaurants does not violate any of the provisions of the SWM Act as this does not constitute a sale or transfer of these commodities by the hotelier or Restaurateur to its customers. The customer does not enter a hotel or a restaurant to make a simple purchase of these commodities. It may well be that a client would order nothing beyond a bottle of water or a beverage, but his direct purpose in doing so would clearly travel to enjoying the ambience available therein and incidentally to the ordering of any article for consumption."*
- VI. The restaurant claims the menu clearly notifies consumers about service charge.
- VII. They maintain a policy of waiving the service charge if a consumer raise any objection.
- VIII. Evidence is provided showing a different bill where the service charge was removed following a consumer's refusal.
- IX. The restaurant submitted that the Complainant allegedly paid the service charge voluntarily without objection at the time of the placing the order or during bill payment, nor did he raise any objection before leaving the premises.
- X. In light of the foregoing, it is submitted that the allegations of contravention of Sections 2(46)(vi), 2(47), and 2(9) of the Act as stated in Paras 5, 6 and 7 of the Notice are wholly misconceived and are hence categorically denied.

- XI. The restaurant asserts the complaint is an "afterthought" with "malafide intent".
- XII. As a gesture of goodwill, they offer to refund the service charges to the Complainant to resolve the matter amicably.
7. Upon examination of the response of the Restaurant, CCPA observed that the matter required detailed investigation as the restaurant provided a menu card showing the higher price and cites judicial precedents to justify this as a service rather than a "sale," the CCPA evaluated whether such pricing constitutes an unfair trade practice under Section 2(47) of the Act. The CCPA was satisfied that there exists a prima facie case of Unfair Trade Practice and violation of consumer rights under the Act, 2019 along with the above-mentioned Guidelines of 2022 which impacted the consumer as a class.
8. In light of the above observations, CCPA vide letter dated 29th August, 2025 directed Director General (Investigation) to conduct a detailed investigation.
9. The Director General (Investigation) submitted the Investigation Report dated 12th December, 2025 to the Authority vide email dated 17th December, 2025. The findings in the Investigation report are as under:
- a) It is observed that the menu disclaimers and selective refunds do not cure the inherent coerciveness of automatic levies or the disproportionality evinced by the exorbitant billing herein.
 - b) Under the Consumer Protection Act (Section 2(9)), customers have basic rights like being informed clearly, protected from sneaky extra charges, and getting fair fixes if cheated. Here's why the restaurant's defense fails in simple terms:
 - (i) No real choice: Even if the menu mentions it, adding the charge automatically at the bill tricks people into paying quietly—most don't argue right then due to awkwardness or hurry. Courts (like Delhi High Court in the 2022 case) say this is coercive, not voluntary.
 - (ii) Overcharged badly: They billed Rs. 180 for a Rs. 60 bottle plus Rs. 231 service—that's way too much (almost 4x the item price), not fair or legal.
 - (iii) Fancy names mislead: Calling it "Restaurant Experience Charge" hides that it's just a forced tip, which is a deceptive trick under the law (Section 2(47)).

- c) Delhi HC holds default impositions coercive owing to service power asymmetries stifling objections, post-facto refunds, affirm onerousness, contravening Section 2(9) and Section 2 (47)- thus void from beginning.
 - d) These actions constitute violation of consumer rights under Section 2(9), unfair contract under Section 2(46) and amounts to an Unfair Trade Practice under Section 2(47) of the Consumer Protection Act, 2019.
10. The Investigation Report submitted by DG (Investigation) was shared with the Restaurant vide letter dated 30th December, 2025 to furnish its comments and an opportunity of hearing was also provided to the Restaurant on 12th January, 2026 under Section 20 and 21 of the Act, 2019 before passing an order.
11. On 8th January, 2026, the restaurant submitted its comments on the investigation report as follows:
- a) Mr. Ryan Tam, Chairman, FOO Ahmedabad Restaurant run by Pebble Street Hospitality Private Limited, a company incorporated under the Companies Act, 1956.
 - b) The restaurant asserts that it maintains a transparent policy of waiving the service charge upon request as evidenced by the re-issuance of invoice without service charge.
 - c) Therefore, the restaurant disagrees and denies the finding in the report that the service charge is an unfair contract terms as alleged. However, as a gesture of goodwill and without admission of any liability, it is willing to offer the complainant a refund of the service charge.
 - d) The restaurant reiterates that the service charges was disclosed well in advance in the menu, ensuring it was never imposed unreasonably or without prior consumer knowledge as alleged. Consequently, there is no evidence of deceptive/misleading/unfair trade practice as falsely alleged in the report.
 - e) Further, it refutes the allegation that 'Restaurant experience Charge' or any other term is being used to force/ trick consumers to tip as falsely alleged. As emphasised earlier, the term service charge was transparently, disclosed to the complainant before placing the order.
12. In light of the restaurant's response to the investigation report, the CCPA convened a hearing on 12th January, 2026. The key points of the submission include:

- a) Restaurant is not compulsorily insisting/forcing consumers on payment of service charge or no obligation by the restaurant to pay service charge.
- b) Further, it submitted that levying of service charge has been mentioned in the menu card
- c) Also, default levying of service charge on bill is not unlawful as and when the consumer ask to remove the service charge the restaurant had done the needful.
- d) The CCPA sought following information from the restaurant:
 - How many branches/ chains does the franchise restaurant currently manage?
 - Is the restaurant still levying service charge by default on bill?
 - If the establishment has discontinued levying service charges, please specify the effective date of this change.
 - Are you a member of any restaurant association such as NHRAI, FRAI, and AHAR etc.?

13. Subsequently, on 19th February, 2026, the restaurant submitted its reply as follows:

- (i) How many branches/ chains does the franchise currently manage?

Reply of the restaurant- Total 8 outlets under the brand name FOO.

- (ii) Is the restaurant still levying service charge by default on bill?

Reply of the restaurant- The restaurant has undertaken modifications in its billing practices across outlets in a coordinated and phased manner. In pursuance of the above, the restaurant has discontinued inclusion of service charge in its bills, across all 8 outlets.

- (iii) If the establishment has discontinued levying service charges, please specify the effective date of this change.

Reply of the restaurant- The process has now been completed and the levy of service charge has been discontinued uniformly across all 8 outlets of 'FOO'. No service charge is presently being imposed at any location. However, the date from which it stopped levying service charge was not specified.

- (iv) Are you a member of any restaurant association such as NRAI, FHRAI, and AHAR etc.?

Reply of the restaurant- Yes, the restaurant is only a member of NRAI.

14. Subsequently, based on the restaurant's reply dated 19th February, 2026 CCPA granted another opportunity of hearing to the restaurant scheduled on 19th March, 2026. On the said date, during the hearing the restaurant made the following submissions:

- i. The restaurant has discontinued to levy service charge from mid-February, 2026.
- ii. The restaurant submitted that they are the members of NRAI.

15. In its reply vide email dated 20th March, 2026, The Restaurant submitted that, "It is placed on record that our client has discontinued the default levy of service charges at all its restaurant locations with effect from 18th February 2026".

16. The CCPA has received two more grievances on NCH from Mr. Devanshu Vakil and Ms, Kirti Madala against the said restaurant and as per the request of the restaurant, the consumer details were shared with them vide email dated 20th March and 24th March, 2026. Again the restaurant vide email dated 03rd April, 2026 has submitted that *"the restaurant has amicably resolved the disputes with all the complainants and the details of same are as follows:*

<i>Complaint No.</i>	<i>Complainant Name</i>	<i>Location</i>	<i>Status</i>
8123507	<i>Mr. Devanshu Vakil</i>	<i>FOO Ahmedabad</i>	<i>Amicably settled which has been confirmed by the complainant vide his email, whereby he also confirmed to withdraw his complaint.</i>
8213632	<i>Ms. Kirti Madala</i>	<i>FOO Bangalore</i>	<i>Amicably settled and in pursuance thereof the complainant has formally withdrawn her complaint vide her email addressed to your good offices.</i>
7192578	<i>Ms. Shradha Patel</i>	<i>FOO Ahmedabad</i>	<i>Amicably settled and in pursuance thereof the complainant has formally withdrawn her complaint vide her email addressed to your good offices."</i>

17. Before delving into the specifics of the case, it is pertinent to examine the relevant legal framework that governs such transactions.

(a) As per the Consumer Rights enshrined under Section 2(9) (ii) and (v) of the Act states that the consumer rights includes- "the right to be informed about the quality, quantity, potency, purity, standard and price of goods, products or services, as the case may be, so as to protect the consumer against unfair trade practices" and "the right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers."

(b) From the bare reading of Section 2 (28) of the Act, 2019 it can clearly be concluded that when a restaurant displays a menu with specific prices, the consumer is duly informed about the cost of the food. However, if a mandatory service charge is added later, it conveys an express or implied representation that the restaurant, a service provider had deliberately concealed the actual price of the food and service thereof, constituting an unfair trade practice.

(c) Furthermore, Section- 2(47) of the Consumer Protection Act, 2019 defines "Unfair Trade Practice" which includes deceptive or unethical methods used to promote the sale of goods, use or supply of any goods or provision of services.

(d) CCPA had issued *Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants*, on 4th July, 2022. The extracts of which are given below:

"3. Service charge is being levied in addition to the total price of the food items mentioned in the menu and applicable taxes, often in the guise of some other fee or charge.

4. It may be mentioned that a component of service is inherent in price of food and beverages offered by the restaurant or hotel. Pricing of the product thus covers both the goods and services component. There is no restriction on hotels or restaurants to set the prices at which they want to offer food or beverages to consumers. Thus, placing an order involves consent to pay the prices of food items displayed in the menu along with applicable taxes. Charging anything other than the said amount would amount to unfair trade practice under the Act.

7. Therefore, to prevent unfair trade practices and protect consumer interest with regard to levying of service charge, the CCPA issues the following guidelines –

(i) No hotel or restaurant shall add service charge automatically or by default in the bill.

(ii) Service charge shall not be collected from consumers by any other name.

(iii) No hotel or restaurant shall force a consumer to pay service charge and shall clearly inform the consumer that service charge is voluntary, optional and at consumer's discretion.

(iv) No restriction on entry or provision of services based on collection of service charge shall be imposed on consumers.

(v) Service charge shall not be collected by adding it along with the food bill and levying GST on the total amount."

(e) The Hon'ble High Court of Delhi [***National Restaurant Association of India & Ors. Vs Union of India & Anr.***] passed the Judgment on 28th March, 2025 held in favor of CCPA wherein the Court held the following:

- i. Service charge or TIP as is colloquially referred, is a voluntary payment by the customer. It cannot be compulsory or mandatory. The practice undertaken by the restaurant establishments of collecting service charge that too on a mandatory basis, in a coercive manner, would be contrary to consumer interest and is violative of consumer rights.*
- ii. The collection of service charge and use of different terminologies for the said charge is misleading and deceptive in nature. The same constitutes an unfair trade practice under Section 2(47) of the CPA, 2019.*
- iii. The guidelines framed by the CCPA are thus valid and are in the interest of the consumers and the same are upheld.*
- iv. While this Court holds that the mandatory collection of service charge is contrary to law and violates the guidelines, it is also of the opinion that if consumers wish to pay any voluntary Tip for services which they had enjoyed, the same would obviously not be barred. The amount however, ought not to be added by default in the bill/invoice and should be left to the customer's discretion.*
- v. All restaurant establishments would have to adhere to the guidelines passed by the CCPA. If there is any violation of the same, action would be liable to be taken in accordance with law. CCPA is free to enforce its guidelines in accordance with law.*

18. In light of the above provisions and consideration of the investigation report of DG Investigation (CCPA) along with the submissions of the Restaurant, CCPA arrives at the following findings:

- (a) It is important to note that the genesis of the service charge in the bill is the command embedded in the billing software, leading to default addition of service charge to every bill. Therefore, it shall be erroneous to presume that the service charge was voluntary. This effectively negates the restaurant's contention before CCPA that the service charge was voluntary. The facts and evidences in this case clearly established that the service charge was mandatorily levied on all consumers till 18th February, 2026, in contravention of the CCPA guidelines and the judgement of Hon'ble High Court of Delhi dated 28th March, 2025.
- (b) The restaurant's liability is also established through a clear pattern of deliberate non-compliance of the Guidelines issued by CCPA. Despite being a member of the NRAI, which is the primary party challenging the CCPA guidelines before the Hon'ble High Court of Delhi, the restaurant has demonstrated a blatant violation of both judicial and regulatory directives.
- (c) The restaurant's failure to update its software-generated billing system even after the Hon'ble Delhi High Court upheld CCPA guidelines and the receipt of a formal notice from the CCPA, proves that it had made no reasonable effort to align its practices with the law. This refusal to rectify automated billing errors suggests a continued unauthorized collection, thereby rendering the restaurant fully liable for the consumer rights violations.
- (d) Hence, the Restaurant is in violation of the following provisions of Consumer Protection Act 2019:
 - (i) Consumer rights under section 2(9) (ii) of the Act, 2019.
 - (ii) Consumer rights under section 2(9) (v) of the Act, 2019.
 - (iii) Engaging in Unfair Trade Practice as defined in section 2(47) of Act, 2019 read with section 2(46) (vi) of Act, 2019;
 - (iv) Misleading advertisement under Section 2(28) (i) and (iii) of the Act, 2019.
 - (v) Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants, on 4th July, 2022.

19. Considering the above findings and the violations noted in the foregoing paras the CCPA is empowered under Section 20 and 21 of the Consumer Protection Act, 2019 to issue directions to modify the advertisement or discontinue such advertisement and

practices, if necessary, it may, by order, impose a penalty which may extend to ten lakh rupees and for every subsequent contravention may extend to fifty lakh rupees. Further, Section 21 (7) of the above Act, 2019 prescribes that following may be regarded while determining the penalty:

- i. the population and the area impacted or affected by such offence;
- ii. the frequency and duration of such offence;
- iii. the vulnerability of the class of persons likely to be adversely affected by such offence;
- iv. the gross revenue from the sales effected by virtue of such offence

20. It may be noted that the restaurant has total 8 outlets under the brand name FOO. Accordingly, it is evident that the restaurant has a substantial consumer reach and market presence, and any non-compliance of guidelines and levy of service charge by default on bill has the potential to affect a large number of consumers. Therefore, the conduct of the restaurant attracts the applicability of Section 21(7) of the Act, 2019.

21. In light of the above CCPA issues the following directions:

- I. To take immediate steps to modify its software generated billing system by removing default addition of service charge or charge by any other name.
- II. Further in light of para mentioned above, the restaurant FOO Ahmedabad Restaurant (Pebble Street Hospitality Pvt. Ltd.) is directed to pay a penalty of Rs. 50,000/-.

The Restaurant shall submit a compliance report of the above-mentioned directions to the CCPA within 15 days from the receipt of this order.


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Nidhi Khare
Chief Commissioner


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Anupam Mishra
Commissioner